

**IPO FACT SHEET**
**Million Cities Holdings Limited (2892 HK)**
**ISSUE STATISTICS**

<b>Offer Size:</b>	HK\$200.6m – HK\$249.4m
<b>Placement Tranche:</b>	187.5m
<b>Price:</b>	HK\$1.07 – HK\$1.33
<b>Board lot:</b>	2,000
<b>Entry fee:</b>	HK\$2,686.80
<b>Historical PE</b>	9.12x – 11.34x
<b>Net tangible asset per share:</b>	HK\$0.44-HK\$0.50
<b>Market Cap (post-IPO):</b>	HK\$802.5m - HK\$997.5m
<b>Open:</b>	10 Dec 2018
<b>Close:</b>	12.00 noon on 13 Dec 2018
<b>Trading:</b>	20 Dec 2018
<b>Sponsor:</b>	China Everbright Capital Limited

<b>Year ended 31 Dec</b>	<b>(RMB'000)</b>	<b>yoy % chg</b>
<b>Revenue</b>		
2016	894,784	1430.0%
2017	973,093	8.8%
<b>Loss/Profit for the years/period</b>		
2016	130,967	-2066.5%
2017	76,777	-41.4%

**BACKGROUND**

- They are a property developer primarily focusing on development of properties that are dominantly for residential use mixed with ancillary facilities, such as retail stores, club house and kindergartens, in Huizhou in Guangdong Province and locations in the PRC which they consider with potential growth, such as Tianjin and Zhumadian in Henan Province, to attract middle to high income residents in surrounding neighbourhoods.
- They sell their developed properties, and lease out certain developed and unsold developed properties to obtain rental income, such as kindergarten and retail stores.
- They commenced their business in property development in Huizhou in Guangdong Province through the establishment of Huizhou China Field in April 2003 and the commencement of construction of their first residential development project, Million Cities International in Huizhou in Guangdong Province. Later, they were acquainted with their third-party business partners in Tianjin and Zhumadian in Henan Province and have begun their collaboration with them since then.
- They have established various joint ventures and associates and non-wholly-owned subsidiaries with their third-party business partners. Through the collaborations with their third-party business partners, they acquired knowledge and business connections in the PRC property market, expanded their business networks in various local markets, enhanced their project development and management skills and, thus, they gradually established their foothold in the PRC property market.

**BUSINESS STRATEGY AND FUTURE PLANS**

- Continue to focus on the development of properties on their land bank, in particular, in the Greater Bay Area and locations in the PRC which they consider with potential growth.
- Expand their operations in other parts of the PRC in which they currently do not have a presence with their diversified land acquisition strategies with a view to allocate resources to what they believe to be profitable opportunities.
- Expand the diversity of their properties to be developed, including the development of residential properties, integrated residential properties and commercial properties.
- Strengthen their cost control capability and maintain the quality of the properties that they develop through establishing long-term relationships with construction contractors.

### COMPETITIVE STRENGTHS

- They are a regional property developer with their development projects being strategically located near established transportation network in Huizhou in Guangdong Province and locations in the PRC which they consider with potential growth.
- They have established an operation system that facilitates the development of quality development projects in a timely and cost efficient manner.
- They focus on developing high quality, innovative and customer-oriented products in order to ensure that they meet the market trends and are appealing to their customers.
- They have well-established reputation and brand name.
- They have an experienced management team supported by a well-trained workforce as well as management and organisation structure.

### KEY RISKS

- Their business and prospects are heavily dependent on and may be adversely affected by the performance of the PRC property markets, particularly in the Greater Bay Area.
- They are subject to extensive government regulations and control and are particularly susceptible to adverse changes in policies relating to the PRC property market and in local policies in the regions in which they operate.
- Their results of operation may vary significantly from period to period and such fluctuations make it difficult to predict their future performance and price of their Shares.
- They may not be able to acquire land parcels at desirable locations that are suitable for their future development at commercially acceptable prices and if that happens, their business, financial condition, results of operation as well as prospects may be materially and adversely affected.
- They engage the services of external third party construction contractors and suppliers in their development project construction and as a result, the timely delivery of their development projects that are up to their specified quality standards to a large extent depends on the quality of the work of such construction contractors and suppliers.
- They had negative operating cash flow for the year ended 31 December 2015 and the year ended 31 December 2017, and a negative total cash flow for the year ended 31 December 2017.

### DIVIDEND POLICY

- No fixed dividend policy.

### USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation (%)
Will be used to fund ongoing and future development projects.	80.30	42.0%
Will be used to repay the pre-IPO loan with a principal amount of approximately HK\$100.0 million which was obtained for the purpose of repayment of balances due to their Controlling Shareholders prior to Listing.	100.00	52.3%
Will be used for general working capital purposes.	10.80	5.7%
<b>Total:</b>	<b>191.10</b>	<b>100.00%</b>

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